THE PETROL OIL AND GAS COMPANY LIMITED

Annual Report 1978

The PETROL Oil & Gas Company Limited

DIRECTORS

A. R. CUMMINGS
Calgary, Alberta

L. B. GORDON
Calgary, Alberta

C. S. LEE
Calgary, Alberta

R. N. MANNIX
Calgary, Alberta

F. R. MATTHEWS, Q.C.
Calgary, Alberta

D. W. McCLEMENT
Calgary, Alberta

A. H. ROSS
Calgary, Alberta

OFFICERS AND KEY PERSONNEL

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Chairman of the Board

A. H. ROSS
President

R. A. ROBINSON
Vice President — Finance

P. S. CHRISTENSEN
Treasurer

FRANCES FERGUSON
Secretary

L. G. ELHATTON
Assistant Secretary

CORPORATE

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TRANSFER AGENT
Crown Trust Company
302 Bay Street
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LISTING
Toronto Stock Exchange

BANKERS
The Royal Bank of Canada
Calgary, Alberta

SOLICITORS
MacKimmie, Matthews
Calgary, Alberta

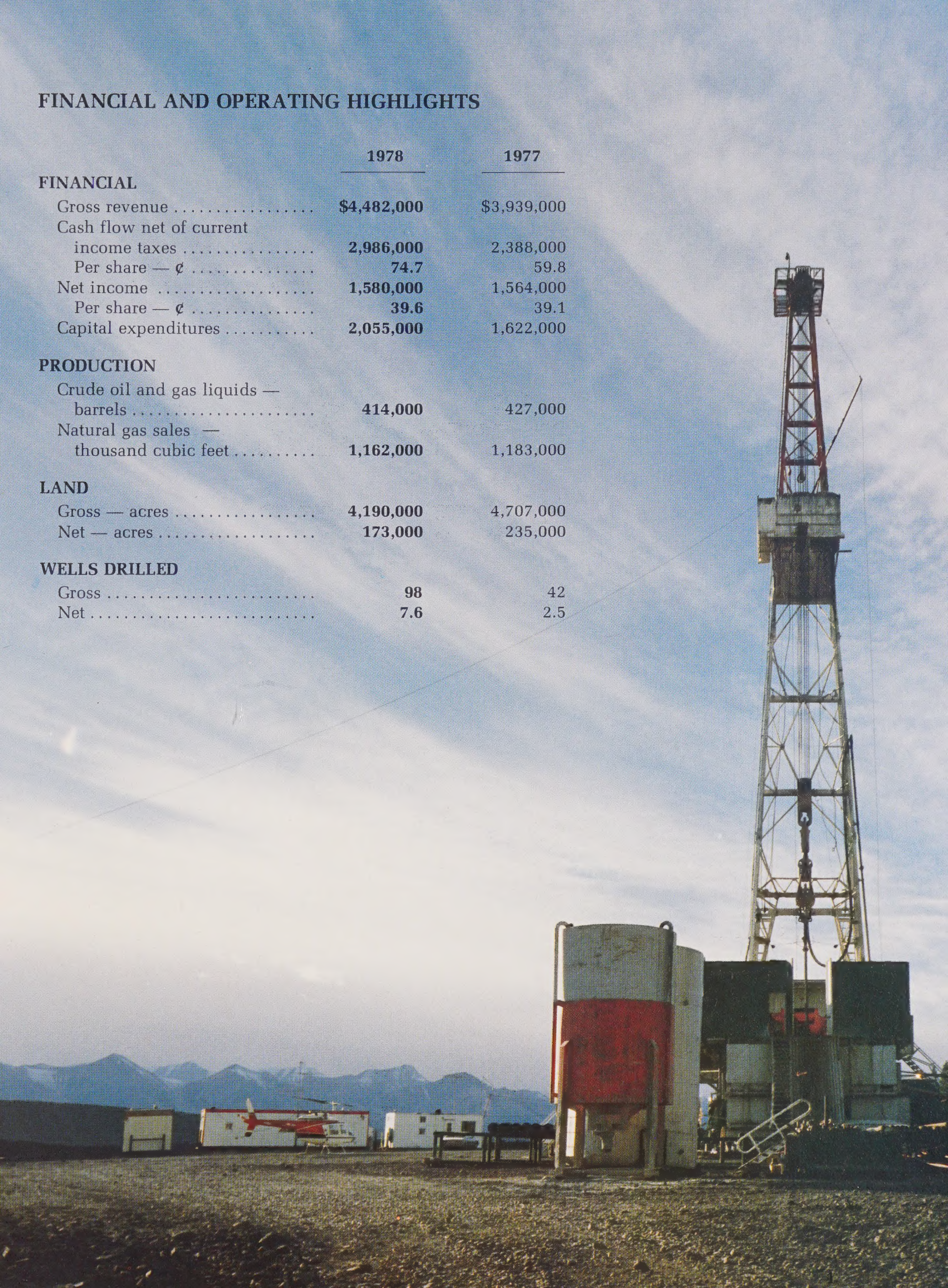
AUDITORS
Clarkson, Gordon & Co.
Calgary, Alberta

ANNUAL MEETING

A formal notice of the Annual and General Meeting of Shareholders together with a proxy form and information circular is enclosed with this report.

FINANCIAL AND OPERATING HIGHLIGHTS

	1978	1977
FINANCIAL		
Gross revenue	**$4,482,000**	$3,939,000
Cash flow net of current income taxes	**2,986,000**	2,388,000
Per share — ¢	**74.7**	59.8
Net income	**1,580,000**	1,564,000
Per share — ¢	**39.6**	39.1
Capital expenditures	**2,055,000**	1,622,000
PRODUCTION		
Crude oil and gas liquids — barrels	**414,000**	427,000
Natural gas sales — thousand cubic feet	**1,162,000**	1,183,000
LAND		
Gross — acres	**4,190,000**	4,707,000
Net — acres	**173,000**	235,000
WELLS DRILLED		
Gross	**98**	42
Net	**7.6**	2.5



REPORT TO THE SHAREHOLDERS

Petrol's net income for 1978 amounted to $1,580,000, equal to 39.6¢ a common share, slightly higher than $1,564,000 or 39.1¢ per share in 1977.

Gross income in 1978 totalled $4,482,000 up 13.8% over 1977 primarily due to higher prices for crude oil and natural gas. Funds generated from operations rose by 25% to $2,986,000 or 74.7¢ per share. Expenditures for exploration and development in 1978 increased by 26.7% to $2,055,000 as a result of the high degree of drilling activity.

Crude oil and natural gas liquids production of 414,000 barrels was 3% lower than the 1977 level. Increased production from newer properties did not match the declining production from older fields such as Pembina and Simonette in Alberta. In last year's report we advised of the growing surplus of natural gas productivity in Alberta. Until mid-1978 the volume of Petrol's gas deliveries remained ahead of last year; however, during the latter six months of 1978 gas purchasers sharply reduced their take even below minimum contract levels. By year end, Petrol's cumulative gas deliveries totalled 1,162 million cubic feet or 21 million (1.8%) below those of last year. Year-end estimates of petroleum liquids at 6.8 million barrels indicated that additions and revisions were less than production. Natural gas reserves, however, increased by 7% to 33.4 billion cubic feet reflecting the Company's active 1978 gas drilling programme.

The industry recorded a high level of activity during 1978. Improved product prices coupled with exploration incentives have created a climate conducive to continued investment which is necessary for growth. Industry is responding to the uncertainty of future secure energy supplies by making significant efforts and investments to find new sources within North America.

Promising new discoveries of oil and gas reserves have been found in such areas of Alberta as West Pembina, Cutbank and the Steep Creek-Elmworth trend. However, such success has not been accomplished without problems. The discovery of substantial new natural gas reserves combined with lower demand, has produced a surplus of natural gas in Alberta.

The National Energy Board of Canada held hearings in the fall of 1978 to consider the problem of the Canadian natural gas supply and demand. The Board report clearly indicates the increased supply available and the decrease in demand which has occurred. It also recognizes the growing importance of deliverability as compared to reserves and has consequently recommended a modification in its original formula to take these changed circumstances into account. The Board has recommended a modest export capability which can be improved as additional reserves and deliverability are demonstrated.

Your Company concurs with the Board's conclusions and is pleased that reasonable exports of natural gas to the United States have been recommended now as this helps ensure the continuation of current activity. It is critical that a mechanism be developed so that all producers share in these new gas exports.

Most of your Company's shut-in gas reserves have been contracted to Pan-Alberta Gas Ltd., but actual deliveries will depend upon authorization to export, which we do not expect prior to 1981.

The demand for crude oil is expected to remain high next year, as the National Energy Board has recommended greater use of Canadian oil in Quebec and has also recommended a continuation of the export of the heavier crudes to the United States. Product price increases during 1978 are discussed in detail in the Production section of the Report. The outlook for the industry continues to be very positive. Your Company will continue to concentrate on exploration and development in western Canada as well as committing some of its funds to continued exploration in the Gulf of Mexico and California.

On behalf of the Board, we would like to thank all of the talented and dedicated people who have contributed during 1978 to the affairs and interests of the Company and its shareholders.

On behalf of the Board of Directors,

Alex R Cummings

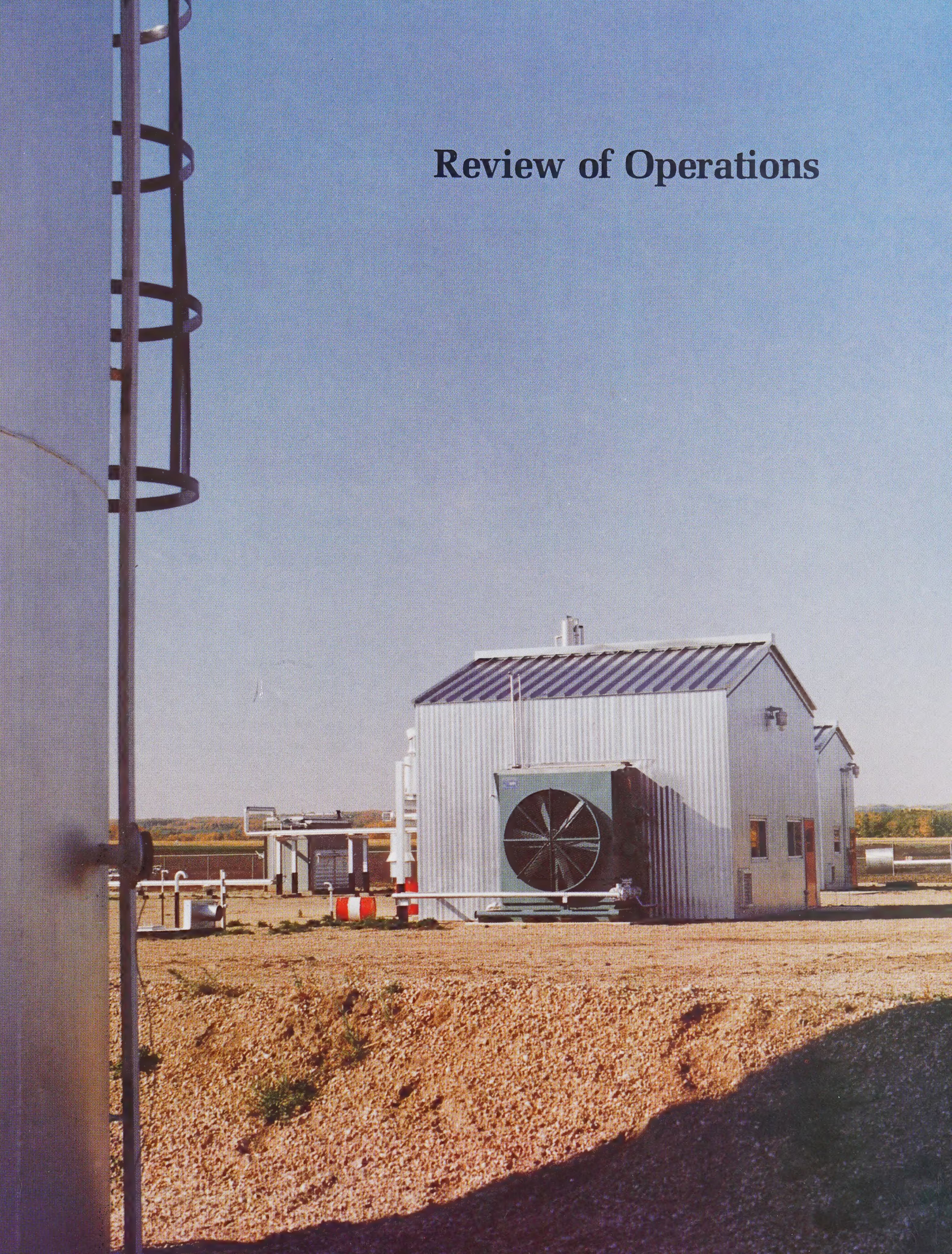
A. R. Cummings, Chairman of the Board

AHRoss

A. H. Ross, President

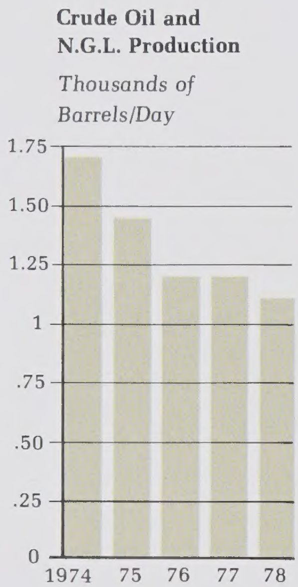
Calgary, Alberta
May 8, 1979

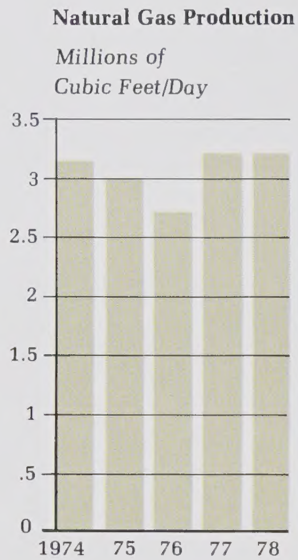
Review of Operations



Review of Operations

PRODUCTION (thousands of barrels before royalties)	1978	Change from 1977 Amount	%
Canada			
Crude oil and condensate	**369**	(17)	(4.4)
Natural gas liquids	**39**	5	14.7
	408	(12)	(2.9)
United States			
Crude oil and condensate	**6**	(1)	(14.3)
Total	**414**	(13)	(3.0)





PRODUCTION (millions of cubic feet before royalties)	1978	Change from 1977 Amount	%
Canada			
Alberta	**1,141**	(36)	(3.1)
British Columbia	**20**	17	—
Saskatchewan	**1**	(2)	—
Total	**1,162**	(21)	(1.8)

PRODUCTION

Crude Oil and Natural Gas Liquids

Petrol's 1978 production volumes before deducting royalties were 414,000 barrels, 3% lower than the 1977 total of 427,000 barrels. Production of crude oil and natural gas liquids by major producing areas is tabulated on page 16.

The average price per barrel received by Petrol for crude oil and condensate from Canadian sources during 1978 was $12.15 compared with $10.14 in 1977. By Federal-Provincial agreement, two price increases of $1.00 per barrel each became effective on January 1 and July 1, 1978 raising the current price to $12.75 per barrel. An additional $1.00 per barrel increase is expected on July 1, 1979. In the United States the realization price of crude oil amounted to $14.99 per barrel. Prices realized for natural gas liquids during 1978 remained almost identical with those of the previous year at $6.97 and $6.96 per barrel.

Natural Gas

Petrol's natural gas sales before deducting royalties declined by 21 million (1.8%) to 1,162 million cubic feet. Faced with supply in excess of demand, gas purchasers were forced to reduce takes below minimum contract levels, particularly in Alberta. The conversions of a royalty interest to a 50% working interest, after payout, by another company, reduced Petrol's share of production in the Hussar properties in Alberta. New gas development and a full year's production from properties developed in 1977 did not completely offset cut-backs described above and the natural decline in older fields.

During 1977, the price of natural gas at Toronto City Gate rose by 32¢ to $2.00 per thousand cubic feet; however, after deducting higher transportation and other costs of service, the average net gain at the wellhead in Alberta was approximately 18¢ per thousand cubic feet before deducting incremental royalty and taxes. A further price increase for domestic gas is expected on August 1, 1979. The export price of natural gas remained unchanged during the year at $2.16 (U.S.) per thousand cubic feet. The export rebate received by all gas producers in Alberta, which varies from month to month, amounted to 30.5¢ per thousand cubic feet in December 1978.

The average price received for natural gas by Petrol during 1978 was $1.56 per thousand cubic feet compared with $1.33 last year. Production of natural gas by major producing areas is presented on page 16.

RESERVES

Petrol's proven and probable additional reserves at December 31, 1978 (before deducting royalties) are shown in the accompanying table. Additions to gross reserves of residue natural gas through exploration and development drilling exceeded production during 1978. In the case of crude oil and natural gas liquid reserves the opposite occurred, when production plus a downward revision to probable additional oil reserves at Simonette, Alberta, exceeded new reserves found.

RESERVES*	December 31 1978	1977
Oil and natural gas liquids (thousands of barrels)	**6,828**	7,401
Residue natural gas (millions of cubic feet)	**33,400**	31,000
Sulphur (thousands of long tons)	**73**	64

* Estimated proven and probable additional before deducting royalties.

DRILLING ACTIVITY

During 1978, Petrol had small participating interests in the drilling of 98 gross wells or the equivalent of 7.6 net or wholly-owned wells; 95 of the wells were drilled in Alberta, the remainder in British Columbia. The large increase in the number of gas development wells reflects acceleration of a 38 well shallow drilling program in the Hussar-Verger area of east central Alberta. Of the total 98 wells in which Petrol participated, 35 were drilled through farmout agreements with other companies whereby Petrol contributed land rather than cash to the ventures; of these 35 wells, 6 were gas wells and 29 were exploratory dry holes. Significant areas of exploratory drilling activity are discussed in the Exploration section of this Report.

Petrol's 1978 development and exploratory well completions are compared with the prior year below:

WELL COMPLETIONS	Development 1978	1977	Exploratory 1978	1977
Gross wells	**45.0**	10.0	**53.0**	32.0
Oil	**2.0**	2.0	—	3.0
Gas	**40.0**	6.0	**13.0**	15.0
Dry	**3.0**	2.0	**40.0**	14.0
Net Wells	**3.3**	0.3	**4.3**	2.2
Oil	**0.1**	0.2	**0.8**	0.1
Gas	**2.7**	0.1	**0.6**	1.6
Dry	**0.5**	—	**2.9**	0.5

EXPLORATION

Canada

The Company participated directly in the drilling of 18 exploratory wells in Alberta and British Columbia with an average participation of 4%. These wells are exclusive of the 35 gross exploratory (3.5 net) wells drilled by others under farmout agreements with the Company.

The most significant wells in which Petrol had an interest were at West Pembina and at Smith in Alberta. At West Pembina, two wells were drilled, one of which found gas and condensate in the Devonian and the other gas in an upper horizon. The Company has a 10% interest in 9,760 acres in this area.

At Smith, a further gas well was completed in the Colony formation. Petrol owns 11.9% of three gas wells and 6,400 acres in this area. The three wells are now completed and ready to produce when gas contracts become available.

The Company also participated in a number of seismic programmes to delineate additional exploratory plays. At Chan and Hotchkiss in Alberta, additional seismic work was done to outline potential areas. In the West Pembina area, a fairly comprehensive programme was undertaken so that the Company was in a position to bid on prospective acreage. Some 960 acres were acquired as a result of this programme.

United States

Petrol is active in the United States through its 15% equity ownership in Decalta International Corporation (D.I.C.): it also participates directly in other exploration and development ventures.

Decalta International Corporation (D.I.C.)

In the offshore Texas area of the Gulf Coast limited gas production commenced in August 1978 from 4 wells on High Island Block 330. The balance of wells on this Block will be completed early in 1979. It is expected that the 21 wells on High Island Block 340 will be completed and have production equipment installed early in 1979. An additional 55 wells on other blocks have been cased as gas and/or oil wells and drilling is continuing to fully evaluate these other 14 blocks.

Three wells were drilled in Wyoming, one of which is a gas well, one an oil well and the other a dry hole. In offshore California, Exxon abandoned its Tanner Banks well which was 1000 feet north of Tract 114 in which D.I.C. holds a 2.3% interest.

Direct Participation

Petrol participated in drilling five wells offshore Louisiana; four wells discovered natural gas. A production platform has been ordered for West Cameron Block 281 in which the Company will have a 2% interest. The Company is also participating in a deep test in Grimes County, Texas, and has a 12.5% interest in an oil well which was completed at Hasley Canyon, California.

LAND

Apart from some conversions of our permit holdings to leases in the Northwest Territories, Petrol's land holdings changed little during 1978. Interests in lands were acquired at Fork Lake, Seal, Musreau and West Brazeau in Alberta and at Dahl, East Siphon and Gote in British Columbia. The amount of non-prospective acreage surrendered in these provinces exceeded the acreage acquired in new properties.

UNDEVELOPED ACREAGE (thousands of acres)	**Gross Acres Year-end 1978**	**Gross Acres Change vs. 1977**	**Net Acres Year-end 1978**	**Net Acres Change vs. 1977**
Alberta	**875**	(68)	**50**	(15)
British Columbia	**156**	—	**14**	(1)
Saskatchewan	**35**	(9)	**2**	(1)
Northwest Territories	**1,356**	(440)	**45**	(45)
Arctic Islands	**1,108**	—	**28**	—
Beaufort Sea	**628**	—	**33**	—
United States	**32**	—	**1**	—
Total	**4,190**	(517)	**173**	(62)

Financial Review

NET INCOME

Petrol's consolidated net income in 1978 at $1,580,000 was slightly higher (1%) than the $1,564,000 recorded last year. Earnings per share were 39.6¢ in 1978 compared with 39.1¢ in 1977 both figures based upon 3,995,000 outstanding common shares. Cash flow net of current income taxes of $2,986,000 (74.7¢ per share) was 25.0% higher than $2,388,000 (59.8¢ per share) in 1977.

Gross income totalled $4,482,000 in 1978, up $543,000 (13.8%) over 1977. Oil and gas revenues recorded a gain of 11.4% to $4,293,000, primarily the result of higher prices for crude oil and natural gas. The volume of natural gas delivered in 1978 was down due to a limited market demand. The transmission companies reduced their take thus triggering the take-or-pay clauses in gas sales contracts which require purchasers to pay for a minimum annual volume of gas whether taken or not. Petrol received $88,000 during 1978 under such contract provisions; this amount together with $110,000 from prior years, has been set up as deferred income in the Company's accounts and will only be taken into income when actual delivery of the gas is made.

Production, administration and interest expenses in 1978 totalled $971,000, an increase of $132,000 or 15.7% over 1977. Production expenses increased by $117,000 (16.4%); two thirds of the increase arose from higher costs of operating both new and older oil and gas properties and the remainder was attributable to inflationary cost increases related to gas plant operations. The provision for depreciation and depletion increased by $80,000 and Petrol's share of the loss of an affiliated company increased by $222,000 during the year. The provision for income taxes in 1978 increased by 11.2% to $925,000 of which $400,000 was deferred and $525,000 was a current income tax liability.

SOURCE AND USE OF FUNDS

Funds available to Petrol in 1978 totalled $2,986,000, an increase of $598,000 or 25.0% over 1977. Prepayments on future gas deliveries amounted to $88,000 in 1978 versus $85,000 last year.

Funds applied during 1978 amounted to $2,176,000, 24.9% higher than the $1,742,000 level of 1977. Of the total outlay, 94.4% or $2,055,000 was used for exploration, development and acquisition of oil and gas rights, a 26.72% increase over funds provided for this purpose in 1977 and 5.5% or $120,000 was used to reduce debt. The increase in expenditures during 1978 was chiefly attributable to a greater number of wells drilled as discussed in the Drilling Activity section of this Report. Working capital at the end of 1978 amounted to $2,925,000 up $898,000 from the prior year-end.

Consolidated Balance Sheet

December 31, 1978 and 1977

	1978	1977
Assets		
CURRENT:		
Cash	**$ 221,000**	$ 120,000
Term deposits	**1,900,000**	1,850,000
Accounts receivable	**318,000**	313,000
Due from affiliated company	**53,000**	—
Income taxes recoverable	**695,000**	—
Prepaid expenses	**15,000**	15,000
	3,202,000	2,298,000
INVESTMENT IN AFFILIATED COMPANY (Note 2)	**1,010,000**	1,291,000
PROPERTY AND EQUIPMENT:		
Oil and gas properties less accumulated depletion (1978 — $4,258,000; 1977 — $3,762,000)	**7,283,000**	6,022,000
Plant and equipment less accumulated depreciation (1978 — $1,986,000; 1977 — $1,762,000)	**1,823,000**	1,754,000
	9,106,000	7,776,000
OTHER:		
Sundry investments at cost	**3,000**	2,000
	$13,321,000	$11,367,000

On behalf of the Board:

Director

Director

	1978	1977
Liabilities		
CURRENT:		
Accounts payable	$ **20,000**	$ 23,000
Income taxes payable	—	187,000
Due to affiliated companies	—	2,000
Due to parent company	**257,000**	59,000
	277,000	271,000
PREPAYMENTS ON FUTURE GAS DELIVERIES	**198,000**	110,000
PRODUCTION BANK LOAN	—	120,000
DEFERRED INCOME TAXES	**2,465,000**	2,065,000
Shareholders' Equity:		
CAPITAL —		
Authorized:		
8,000,000 shares of no par value		
Issued:		
3,995,000 shares	**2,744,000**	2,744,000
RETAINED EARNINGS	**7,637,000**	6,057,000
	10,381,000	8,801,000
	$13,321,000	$11,367,000

CONTINGENT LIABILITIES (Note 2)

See accompanying notes.

Consolidated Statement of Income and Retained Earnings

Years Ended December 31, 1978 and 1977

	1978	1977
Oil and gas revenues	$ 4,293,000	$ 3,853,000
Interest and other income	189,000	86,000
	4,482,000	3,939,000
Deduct:		
Production expenses	830,000	713,000
General and administrative expenses	133,000	109,000
Interest on long term debt	8,000	17,000
	971,000	839,000
Cash flow from operations before income taxes	3,511,000	3,100,000
Depreciation and depletion	725,000	645,000
Income before income taxes and share of loss of affiliated company	2,786,000	2,455,000
Income taxes:		
Current	525,000	712,000
Deferred	400,000	120,000
	925,000	832,000
Income before share of loss of affiliated company	1,861,000	1,623,000
Share of loss of affiliated company (Note 2)	(281,000)	(59,000)
Net income for the year (per share: 1978 — 39.6¢; 1977 — 39.1¢)	1,580,000	1,564,000
Retained earnings at beginning of year	6,057,000	4,493,000
Retained earnings at end of year	$ 7,637,000	$ 6,057,000

See accompanying notes.

Consolidated Statement of Changes in Financial Position

Years Ended December 31, 1978 and 1977

	1978	1977
SOURCE OF FUNDS:		
Cash flow net of current income taxes	**$ 2,986,000**	$ 2,388,000
Prepayment on future gas deliveries	**88,000**	85,000
	3,074,000	2,473,000
APPLICATION OF FUNDS:		
Addition to property and equipment	**2,055,000**	1,622,000
Repayments of production bank loan	**120,000**	120,000
Other	**1,000**	—
	2,176,000	1,742,000
Increase in working capital	**898,000**	731,000
Working capital at beginning of year	**2,027,000**	1,296,000
Working capital at end of year	**$ 2,925,000**	$ 2,027,000

See accompanying notes

Notes to Consolidated Financial Statements

December 31, 1978 and 1977

1. Summary of accounting policies

(a) Consolidation

The consolidated financial statements include the accounts of all subsidiaries. The excess of the unamortized cost of purchased subsidiaries over the related net asset values at dates of purchase is included in oil and gas properties.

(b) Full-cost method of accounting

The Company follows the full-cost method of accounting wherein all costs relative to the exploration for and development of oil and gas reserves, whether productive or non-productive, are capitalized and are depleted on the composite unit of production method based on estimated proven reserves of oil and gas.

(c) Depreciation

Depreciation of plant and equipment is provided at rates which are designed to amortize cost over the estimated useful lives of the assets. The Company depreciates well equipment (10%) and gas plants (5%) on the straight line basis.

(d) Investment in affiliated company

The Company accounts for this investment as a corporate joint venture and, accordingly, the investment is carried at cost plus equity in undistributed earnings since acquisition.

2. Investment in affiliated company

The Company owns a 15% equity interest in Decalta International Corporation. The remaining 85% is owned by other subsidiaries of the Company's parent, Western Decalta Petroleum (1977) Limited.

Details of the investment are:

	1978	1977
15,000 common shares	**$ 15,000**	$ 15,000
13,500 preferred shares	**1,350,000**	1,350,000
Equity in losses since date of acquisition	**(355,000)**	(74,000)
	$1,010,000	$1,291,000

The financial position of Decalta International Corporation at December 31, 1978 and 1977 is summarized as follows:

	U.S. dollars	
	1978	1977
Working capital (deficiency)	**$ (3,449,000)**	$ 1,098,000
Property and equipment — net	**23,824,000**	22,799,000
	$20,375,000	$23,897,000

Long term debt	**$13,636,000**	$15,286,000
Share capital issued and outstanding		
100,000 common shares	**100,000**	100,000
90,000 preferred shares	**9,000,000**	9,000,000
Deficit	**(2,361,000)**	(489,000)
	6,739,000	8,611,000
	$20,375,000	$23,897,000

The accounting policies followed by Decalta International Corporation are essentially the same as those followed by the Company.

The Company is contingently liable as a guarantor of bank indebtedness and natural gas development advances to Decalta International Corporation to the extent of $1,050,000 (U.S.) and $343,000 (U.S.) respectively.

Statutory information

Remuneration of directors charged to income was $1,200 in 1978 and $2,300 in 1977 (senior officers — nil).

Auditors' Report

To the Shareholders of
The Petrol Oil & Gas Company, Limited

We have examined the consolidated balance sheet of The Petrol Oil & Gas Company, Limited as at December 31, 1978 and 1977 and the consolidated statements of income and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and 1977 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis during the period.

Calgary, Canada
February 28, 1979

Clarkson, Gordon & Co.
Chartered Accountants

Five Year Financial Review

(thousands of dollars, except per share amounts)

	1978	1977	Change 78/77	%	1976	1975	1974
Income							
Oil and natural gas liquids sales	**$4,849**	$4,247	$602	14.0	$3,570	$3,655	$3,426
Natural gas sales	**1,802**	1,576	226	14.3	952	720	313
Sulphur sales	**2**	2	—	—	7	15	1
Gross product sales	**6,653**	5,825	828	14.2	4,529	4,390	3,740
Royalty expense	**2,439**	2,045	394	19.3	1,566	1,438	1,157
Net product sales	**4,214**	3,780	434	11.5	2,963	2,952	2,583
Royalty revenue	**79**	73	6	8.2	55	44	33
Oil and gas revenues	**4,293**	3,853	440	11.4	3,018	2,996	2,616
Interest and other income	**189**	86	103	119.8	25	2	—
Gross income	**4,482**	3,939	543	13.8	3,043	2,998	2,616
Cash Expenses							
Production	**830**	713	117	16.4	682	579	543
General and administrative	**133**	109	24	22.0	106	96	99
Interest	**8**	17	(9)	(52.9)	33	47	137
Other Costs							
Depreciation and depletion	**725**	645	80	12.4	527	547	525
Income taxes	**925**	832	93	11.2	580	590	350
Share of earnings (loss) of affiliated company	**(281)**	(59)	(222)	376.3	(15)	(8)	2
Net Income	**1,580**	1,564	16	1.0	1,100	1,131	964
Per share — ¢	**39.6**	39.1	0.5		27.5	28.3	24.1
Cash Flow	**2,986**	2,388	598	25.0	1,892	1,926	1,802
Per share — ¢	**74.7**	59.8	14.9		47.4	48.2	45.1
Gross Production and Prices							
Oil and natural gas liquids — thousands of barrels	**414**	427	(13)	(3.0)	429	510	605
Average price — $/bbl.	**11.70**	9.95	1.74	17.5	8.32	7.17	5.66
Natural gas — millions of cubic feet	**1,162**	1,183	(21)	(1.8)	992	1,112	1,149
Average price — $/mcf	**1.56**	1.33	0.23	17.3	0.96	0.65	0.27

	1978	1977	1976	1975	1974
Balance Sheet Data					
Working capital	**$ 2,925**	$ 2,027	$ 1,296	$ 541	$ (268)
Property and equipment — net	**9,106**	7,776	6,799	6,284	5,833
Production bank loans	**—**	120	240	360	480
Deferred production income	**198**	110	25	—	—
Deferred income taxes	**2,465**	2,065	1,945	1,695	1,455
Shareholders' equity	**10,381**	8,801	7,237	6,137	5,006
Other Data					
Shares outstanding	**3,995**	3,995	3,995	3,995	3,995
Number of shareholders	**1,840**	1,824	1,901	2,050	2,100
Expenditures for Finding and Developing Production					
Land acquisitions and rentals	**395**	768	288	200	184
Geological and geophysical	**179**	76	46	59	47
Dry holes	**498**	108	62	265	60
Productive drilling	**695**	477	381	233	123
Production equipment	**288**	193	265	241	304
Total	**2,055**	1,622	1,042	998	718
Changes in Financial Position					
Cash flow from operations less current income taxes	**2,986**	2,388	1,892	1,926	1,802
Prepayment on future gas deliveries	**88**	85	25	—	—
Other	**—**	—	—	1	—
Total source of funds	**3,074**	2,473	1,917	1,927	1,802
Expenditures for finding and developing production	**2,055**	1,622	1,042	998	718
Retirement of production payments	**—**	—	—	—	185
Repayments of bank loans	**120**	120	120	120	120
Other	**1**	—	—	—	—
Total application of funds	**2,176**	1,742	1,162	1,118	1,023
Increase in working capital	**898**	731	755	809	779

Five Year Review of Operations *(Exploration and Production)*

	1978	1977	1976	1975	1974
Gross Oil and Natural Gas Liquids Production					
(thousands of barrels)	**414**	427	429	510	605
Alberta					
Fenn	**22**	16	17	32	36
Mitsue	**30**	30	30	36	35
Pembina					
Cardium	**37**	44	46	53	59
Belly River	**42**	47	49	55	65
Simonette	**201**	211	213	256	319
Turner Valley	**47**	49	46	47	51
Other	**20**	14	13	14	14
Total — Alberta	**399**	411	414	493	579
Saskatchewan	**8**	9	7	8	14
British Columbia	**1**	1	1	1	1
Total — Canada	**408**	421	422	502	594
United States	**6**	6	7	8	11
Average Daily — Barrels	**1,134**	1,170	1,172	1,397	1,657
Average Price — $/bbl.	**11.70**	9.95	8.32	7.17	5.66
Natural Gas Deliveries					
(millions of cubic feet)	**1,162**	1,183	992	1,112	1,149
Alberta					
Ashmont	**203**	160	113	85	136
Brazeau	**67**	14	—	—	—
Ghost Pine	**30**	34	43	24	35
Hotchkiss	**100**	72	39	18	—
Hussar	**91**	238	166	147	73
Pembina	**83**	93	82	63	25
Simonette	**363**	390	386	571	651
Turner Valley	**120**	116	125	154	183
Other	**84**	60	34	45	29
Total — Alberta	**1,141**	1,177	988	1,107	1,132
British Columbia	**20**	3	2	2	3
Saskatchewan	**1**	3	2	3	6
Total — Canada	**1,162**	1,183	992	1,112	1,141
United States	**—**	—	—	—	8
Average Daily — mmcf	**3.2**	3.2	2.7	3.0	3.1
Average Price — $/mcf	**1.56**	1.33	0.96	0.65	0.27

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